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ANALYSIS OF INTERNATIONAL NEGOTIATIONS AND TRADE AGREEMENTS

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Abstract

This study aims to analyze international trade agreements and negotiations. For that purpose, two agreements made by the United States are chosen to be analyzed. In the first place, the North America Free Trade Agreement (NAFTA) agreement, that was signed by the United States, Canada and Mexico in 1994 in order to create a free trade area. In addition, the Transatlantic Trade and Investment Partnership (TTIP) will be analyze, an agreement that is still being negotiated between the United States and the European Union, with the aim of increasing trade volumes and unifying procedures. To conclude, the study includes a comparison between both agreements from the point of view of the United States and the reasons why it decides to negotiate in each case.

Keywords

-International trade agreements

-International negotiations

- Trade policies

-Tariffs

-Trade barriers

ANALYSIS OF INTERNATIONAL TRADE NEGOTIATIONS AND AGREEMENTS

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1. INTRODUCTION

This study, it is intended to understand what is an international trade agreement and the effects they involved. For this purpose, two international agreements will be deepened to understand the effects a negotiation involve. The two agreements that are chosen are the North America Free Trade Agreement (NAFTA) and the Transatlantic Trade and Investment Partnership (TTIP).

These agreements are very different from each other, but they have one thing in common, the United States, in which this study will be based when making the comparison. The differences are many, from the time they were carried out, to the reasons that drive a country to enter into negotiations in order to create an international trade agreement.

The starting point of this analysis is represented by the first section, which deals with international agreements with a brief definition of them. It also includes a brief history of international agreements and sets out the reasons why countries begin the costly task of negotiation to reach an international agreement.

Secondly, to understand how international trade agreements works, two agreements will be analyzed: NAFTA (signed by the United States, Canada and Mexico) and the TTIP (currently being negotiated between the U.S. and the European Union). In both agreements, the structure will be as follows: first a brief introduction to put the agreement in time and analyze the relationship between the countries that comprise it. Then, the situation of the member countries before the agreement will be analyzed. A brief explanation of the objectives sought to be achieved with the agreement will be the following section. Finally, an evaluation of the effects produced by the NAFTA or in the case of TTIP, an assessment of the potential effects of the agreement.

Finally, the two agreements are going to be compared. With the aim of analyzing their differences, it is going to be taken as reference the point of view of the United States because it is the only country that is part of both agreements. In this section, in addition to the effects they entail, the different reasons why a nation decides to form part of an agreement are displayed.

To conclude, a brief conclusion about the positive and negative effects of these international agreements will be done in order to sum up the analysis done in this study.

At the end a table with generic and specific competences will be attached.

2. TRADE AGREEMENTS

During the past four decades, the economic and commercial relationship between the nations of the world has grown substantially. The processes of economic liberalization, improvements in transport systems and technological advances in the media, among other factors, have encouraged globalization of economic activities.

Because of the increase in trade, nations started making trade agreements. Firstly, bilateral agreements in order to increase the trade between those nations with better conditions. Later, they started making multilateral agreements, that are more complicated to negotiate but at the end they are more beneficial.

2.1-What is a trade agreement?

A trade agreement is any contractual arrangement between nations concerning their trade relations. Trade agreements may be bilateral or multilateral, that is, between two or more countries involved.

For most countries, international trade is regulated by unilateral barriers, including tariffs, nontariff barriers, such as exports subsidies, and government prohibitions including import quotas and export restraints.

Trade agreements aim is to reduce such barriers and thus provide all parties with the benefits of increased trade. Reciprocity is a necessary feature of trade agreements, since neither state will be willing to sign the agreement unless it expects to gain as much as it loses.

Some trade agreements include a clause referring to the relationships of the parties with other nations that are not part of the agreements. Parties can choose to fix the conditions in which parties will trade with others parties or leave it free to the choice of the parties.

2.2- History

According to the *U.S. Trade Policy: History, Theory and the WTO* report (Lovett, Eckes Jr., & Brinkman, 2000) and the International Economics: Theory and Policy book (Krugman, Obstfeld, & Melitz, 2012) throughout history, there have been agreements all over the areas. During the 1930s, internationally coordinated tariff reductions were began used as trade policies. The origin of these policies is given in 1930, when United States implements the Smoot -Hawley Act, which raised a very high tariff rate. The initial measures which were conducted to solve this problem were the negotiations of bilateral tariff agreements. These agreements were made between the U.S and one of each major exporter in order to decrease the tariffs of a concrete sector, without obtaining huge objections from the members of Congress. This is how it started using bilateral agreements.

But these bilateral agreements are not as powerful as multilateral agreements. Using bilateral agreements, countries that are not part of the agreements are involved in them.

After the end of the World War II, multilateral negotiations began. The victorious Allies proposed to form the International Trade Organization or ITO, but this body was never established, due to severe political opposition. In 1947, a group of 23 countries signed the General Agreement on Tariffs and Trade or GATT. Its purpose was the "*substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis*".

The GATT system was been formed, diversifying and refined over nine negotiation sessions or trade rounds. The most important ones are the Kennedy Round (1962–67), the Tokyo Round (1973–79) and the Uruguay Round (1986–94).

Kennedy Round: 1962–67

The sixth round of GATT and WTO multilateral trade negotiations, held from 1963 to 1967. The round was called so because of the support it received from the United States president John F. Kennedy. Overall result on a reduction of the average tariffs by about 35 percent.

Tokyo Round: 1973–79

The seventh round reduced tariffs and established new regulations aimed at controlling the proliferation of non-tariff barriers and voluntary export restrictions. In this round an amount of 102 countries took part. Concessions were made on $190 billion worth.

Uruguay Round: 1986–94

The eighth round is the one that led to the creation of WTO. The result of this round is an extension of the range of trade negotiations, increasing the reductions in tariffs (about 40%) and agricultural subsidies. The round ends with an agreement to allow full access for textiles and clothing from developing countries, and an extension of intellectual property rights.

Another important round is the Ministerial Conference, named Doha round. It started in 2001, but it is still not finished. The objective of this round is to provide to the developing countries the chance to enter in the free trade area of agricultural products, reducing the protection that the developed countries have on them.

In 1995, the World Trade Organization or WTO was established creating finally an organization that hold 160 country members in December of 2013. The principal mission of this organization is to reduce tariff rates using international negotiations between countries members. Another objective is to bind tariff rates by making agreements between parties in order not to raise these rates in the future. The country that is forced to do that must agree, but it is usually outweighed by making concessions on other sectors. The last objective of the agreements is to eliminate nontariff barriers, such as quotas and export subsidies that are changed into tariffs. The main reason is that it is easier to negotiate when only tariffs affect those countries and diplomats only need to take into account tariffs consequences. A world in which there are only tariff barriers is utopian nowadays because there are sectors that are currently controlled with non- tariff barriers and would be difficult to compensate in removing these barriers and changing them into tariff barriers. There are some exceptions such as United States' agricultural exports.

2.3- Reasons for making agreements

The reasons why some nations reach trade agreements with other nations are because of the benefits that these agreements can offer, trade creation and diversification. A trade agreement generally increases trade volume between those nations or areas, which can generate economic growth for each region. The benefits are not only directed to companies, which are improving the terms of trade with the other country, by either eliminating a fee or by been provided by a subsidy, causing that the costs for this company are reduced and it will maximize trade with that country.

In addition, consumers can also result benefited out of the agreement since by opening the market to the other nation, consumers have more brands and products to choose from and can improve their lifestyle. Furthermore, due to the increase in competitiveness prices will fall.

The liberalization that occurs in a market when removing trade barriers, restrictions and tariffs can help making the economy grow and at the end, it will boost overall economic welfare. Another positive effect of a trade agreement is that it can create new jobs. The opening of two or more markets involves a specialization of markets, which focus on a few specific sectors whose production is performed exclusively in that market and then traded. This specialization leads to an increase in competitiveness, because the number of competitors increases. In spite of this, we must also set the number of consumers also increases.

In order to understand how international agreements work, this study will analyze two different agreements, NAFTA and TTIP. What they have in common is that United States take part in both.

3- NAFTA

3.1 Introduction

NAFTA is a trilateral agreement signed in 1994 by Canada, the United States and Mexico. It represents one of the world´s largest free trade blocs, accounting for one-third of the world's output of approximately $1 trillion per year and a population that amount 400 million. NAFTA was not the first try of economic integration in North America, so it was easier to negotiate some provisions. The United States-Canada Free Trade Agreement was established in 1989 and there was an initiative called the "Mexican Maquiladora" program established in 1989, which was developed in order to create assembly jobs. This initiative was programmed by Unites States and Mexico.

The reason why this program is so interesting is that it lowers the prices of products. This is because the Maquiladora initiative means that the parts are produced in the United States and brought to Mexico to be assembled, because in that country wages are cheaper. Once they are assembled products are distributed internationally at a lower price.

Thanks to this spirit of negotiation and economic integration that was given in North America, trade grew faster than it was expected nearly doubling. During the first ten years of the treaty, the three parties of NAFTA´s agreement grown significantly.

Only during the first ten years of the agreement, 1994-2003, the average annual real GDP growth of the United States is 3.3 while the average annual real GDP growth of the other economies of NAFTA, Canada and Mexico, are 3.6 and 2.7 respectively for the same period.

But not only trade between nations grew since NAFTA, also intraregional merchandise trade has double.

In spite of all the positive aspects that this agreement has produced, not all analysts agree that all effects have proved to be positive. Many of them list a number of issues to be taken into account when negotiating modification or government policies in order to minimize the negative effects.

The criticisms that are made to NAFTA are the following:

-Mexico´s lower wages. The situation of Mexico´s wages create a problem to Canada and the United States due to the huge difference that exist. Most firms prefer to move to Mexico in order to pay less to their employees.

-High levels of illegal immigration: since the agreement was signed, some statistics notice that the levels of illegal immigration have increased and create a decontrol.

- Slow progress on environmental problems: Even though environmental problems are an important point of the agreement, this has not resulted in a big progress when solving, but it is still a very slow process.

- Growing income disparities, especially in Mexico: Due to the effects of NAFTA, income disparities have grown. The reason can be a protection of some groups, which happen to be the one that least need protection, and the accumulation of negative effects in other population groups, that really needs some help.

- Weak growth in real wages: Due to the difference in wages between countries, particularly with Mexico, there was a stagnation or slow progress of the wages of unskilled American workers since NAFTA was implemented. The real average wage growth became very slow from 1970 to the mid-1990s, from that moment on, real wages have had a sustained growth.

- Trafficking of illegal drugs: as well as happens in the case of illegal immigration, statistics also have shown an increase in illegal drug trafficking. The reason of this is because each country has different policies regarding illegal drugs. Opening up the market led, also, to an increase in the trade of illegal drugs.

- Clinton criticized not adding workers rights: Another issue that's been discussed from the initial agreement of NAFTA is the failure to include workers' rights in the agreement. The biggest proponent of this cause was Clinton, who proposed the creation of the NAAEC and NAALC. Later, they will be explained in more depth.

All parts of the agreement wanted to keep the protection on some product due to special conditions and there were born exceptions. For example, Mexico wanted to keep the oil company under protection, because of its importance to the nation and because it is the source of income for the Mexican public finance. As well as United States and Canada still didn´t want to include important farm products from the free trade obligations. These exceptions of the free trade area are seeing as the price for the agreement.

3.2- Previous negotiations: The Canada - U.S. Free Trade Agreement

According to the report NAFTA at 20: Overview and Trade Effects (Villarreal & Fergusson, 2014), the U.S.-Canada Free Trade Agreement (CUSFTA) is a bilateral agreement signed in 1988 by the leaders of Canada and the United States. This agreement aims to eliminate all tariffs, reassure the U.S.-Canada Auto Pact covering more sectors, facilitate the mission of business professionals helping them on the cross-borders travels, and considering investments from the other country as nationals. By having many objectives and very ambitious, they decided that some of them would take place immediately, but others have been given until 1998 to take place.

The effects of this agreement are difficult to measure, but trade between nations increased rapidly, as you can see in the table 1, which is data collected from the WITS database, World Bank.

Table 1: Evolution of trade flows between Canada and United States (1991-2010)

		1991	1994	2010
Ca→ U.S.	Export	95.5M	135.87M	269.8M
	Import	75.26M	100.22M	197.16M
U.S. → Ca	Export	79.05M	103.64M	205.95M
	Import	93.58M	131.91M	279.27M

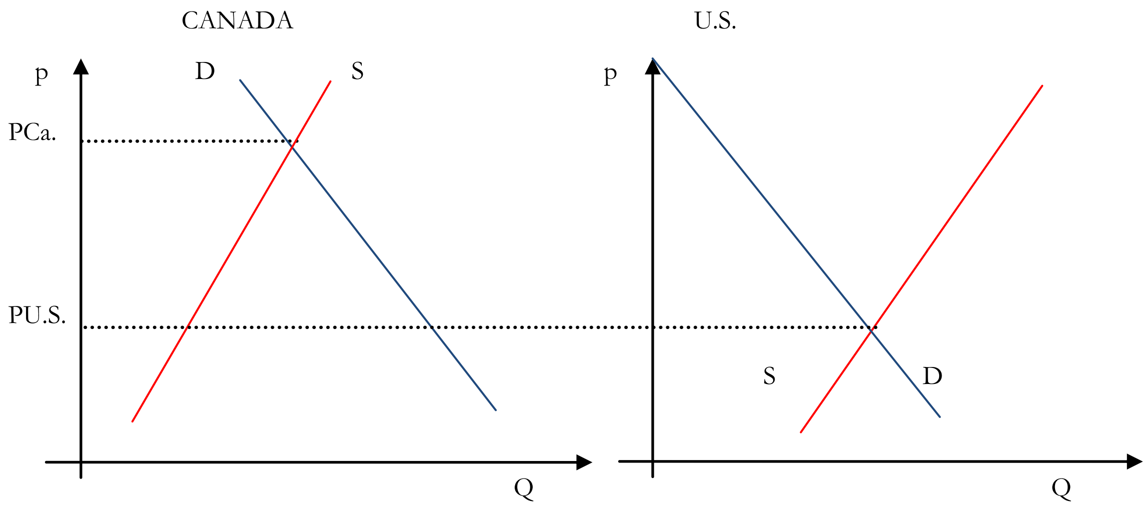
Source: WITS World Bank

This agreement aims to eliminate all tariffs, most of them immediately but others before 1998, reassure the U.S.-Canada Auto Pact covering more sectors, facilitating the mission of business professionals helping them on the cross-borders travels, and considering investments from the other country as nationals. The effects of this agreement are difficult to measure, but trade between nations increased rapidly.

The effects of the agreement are in general beneficial to both countries, but there are some negative effects that are really important for some regions. Tariffs in some cases are use to neutralize the difference in value of the currencies. For example, if the Canadian dollar increases its value promptly, United States products are going to be cheaper than Canadian´s. For example, we can analyze the case of manufactured goods. The prices in Canada of these types of products are much higher than the price of the same products produce in United States, as it is shown in the figure 1.

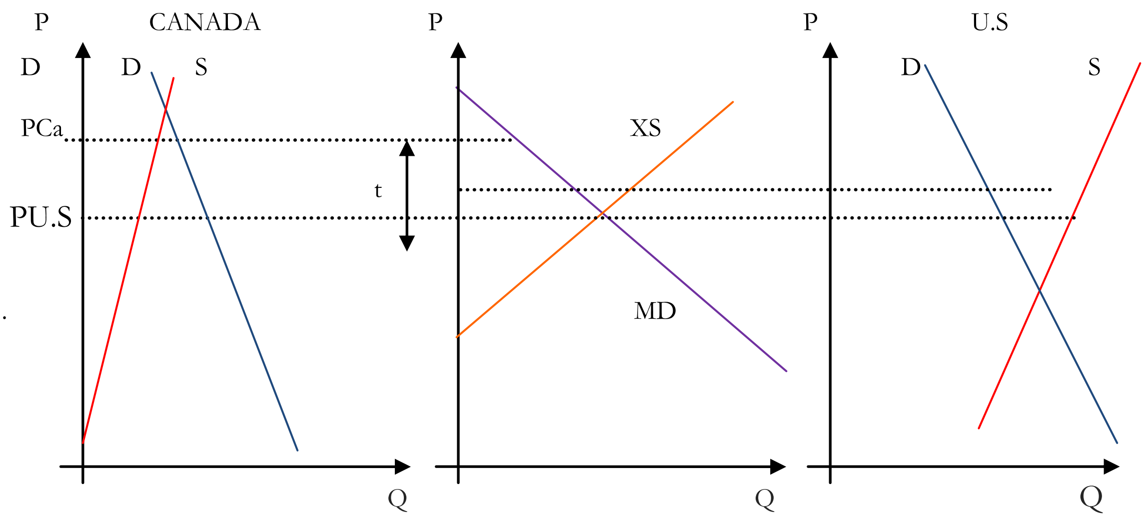
Canada imports the manufactured goods from United States due to the lower price, as it is reflected in Figure 1. Thanks to the tariffs imposed on manufactured goods from United States the manufacturers from Canada can still compete with the ones from United States.

Figure 1: Initial situation: comparison of prices from Canada and United States



According to the World Population Review, in 2013 the Canadian Government estimated that there were 35,163,430 residents in Canada, while the population of United States is around 315 million. (World Population Review, 2013) This is a huge difference when trading and situate the United States in an advantageous position. Most of the trade of Canada came from the United States, but not on the contrary. Because of this reasons, the tariff effects are going to be notice more in Canada than in United States because if the difference on influences when imposing the tariff. Figure 2 shows this situation.

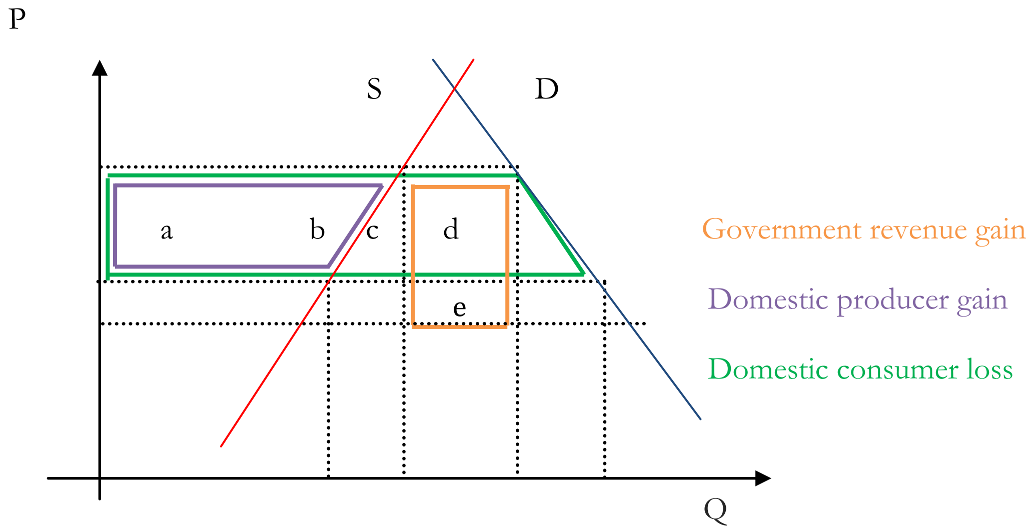
Figure 2: Effects of a tariff: changes on prices between small country (Canada) and a big one (United States).



Pwt : price in the absence of tariff in Canada and United States.

From the point of view of Canada, which is the country that imports manufactured goods, we can conclude that thanks to the tariff the domestic producers can compete with producers from United States. Otherwise, without the tariff, imported products´ price will be very low for them to continue in the market. Government also has gains due to the revenue that the tariff produce, but the Canadian consumers in the case of the existence of the tariff are the one that stand to lose. Figure 3 explains it visually.

Figure 3: Cost and benefits of the tariff for Canada



On the one hand, profits of producers are reflected with the color purple and is represented by a. As already mentioned, the government also wins and its revenue is represented with c and e (orange). In the case of Canada, the e is smaller than average because of Canada is a smaller country than America. On the other hand, consumers are the losers thanks to the tariff and the volume lost is the largest by far, would be the sum of a + b + c + d.

Later, when the agreement came in to force, the situation is the reversal, as it is shown in Figure 4 and 5. The ones that gain with the tariff (Canadian producers of manufactured products and the government) loss, but the consumers improve their position because they can buy the United States manufactured products at a lower price than before.

Figure 4: Effects of a tariff elimination: changes on prices between small country (Canada) and a big one (United States)

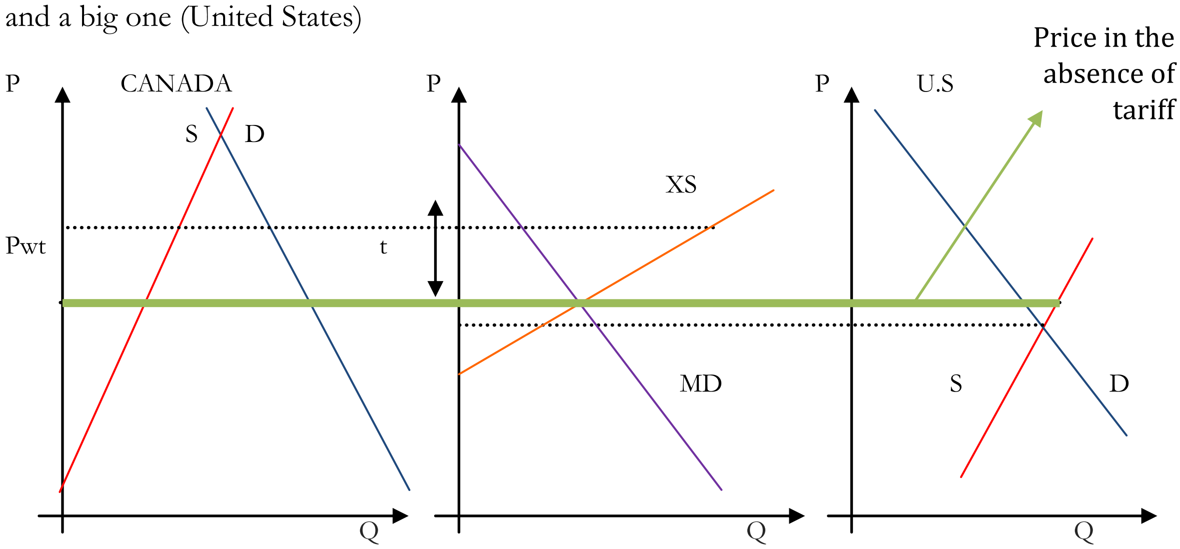
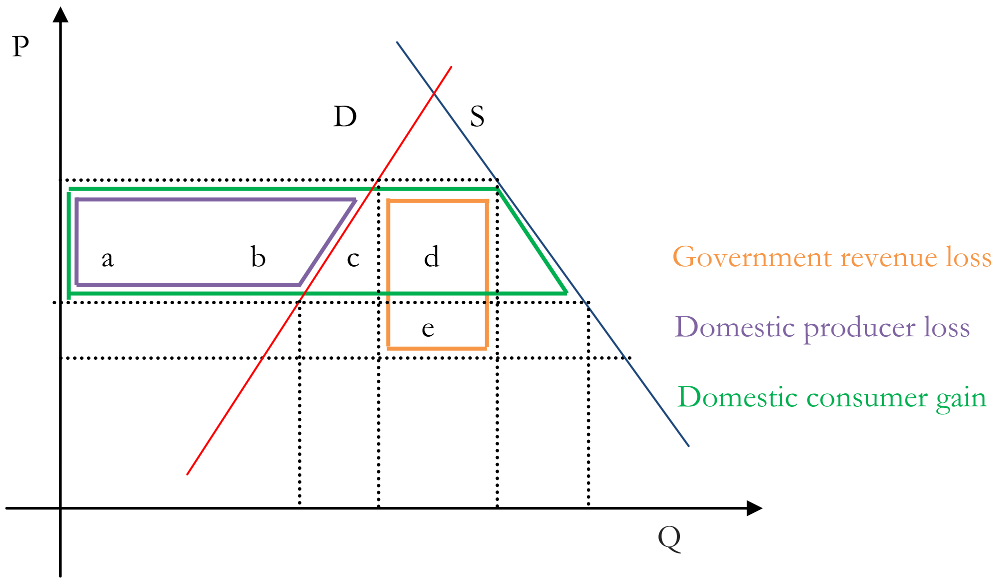


Figure 5: Cost and benefits of removing the tariff for Canada



The benefits and cost of removing the tariff result on the opposite results than in the case before.

3.3- Objectives

According to the NAFTA Secretariat, the objectives of this agreement are the following ones, written down on the article 102 of the full report of this agreement:

"1.The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most-favored-nation treatment and transparency, are to:

a) Eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;

b) Promote conditions of fair competition in the free trade area;

c) Increase substantially investment opportunities in the territories of the Parties;

d) Provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;

e) Create effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and

f) Establish a framework for further trilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement.

3.4- Evaluation of NAFTA´s effects

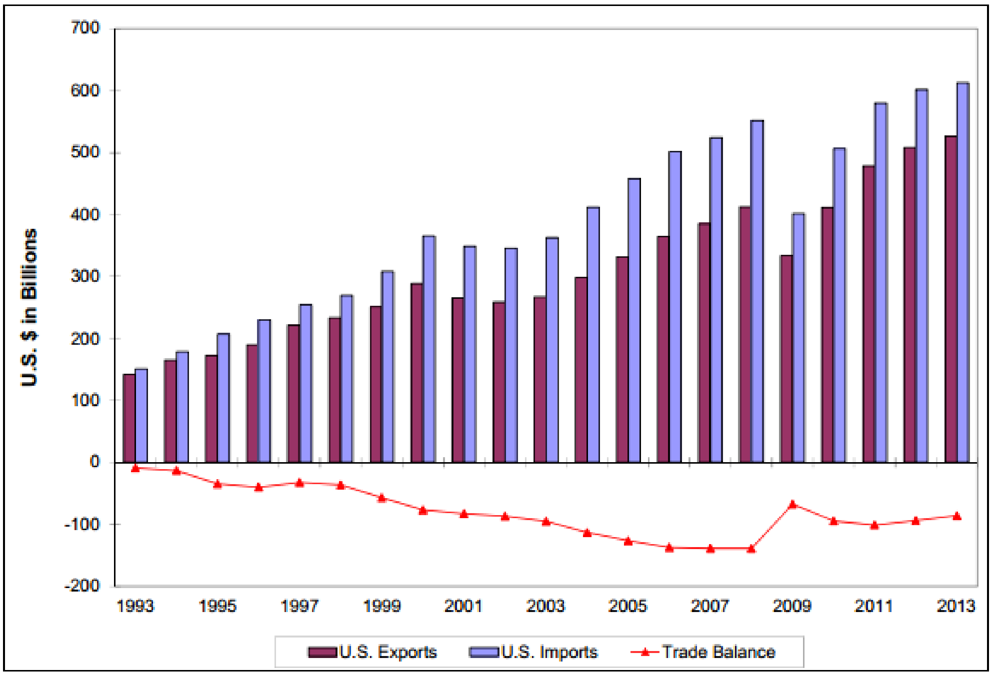
In order to assess NAFTA records, this study is going to follow the analysis done in NAFTA Revisited: Achievements and Challenges (Hufbauer & Schott, 2005), based on five main points:

- *Promote increased regional trade and investment.*
- *Increase employment and improve working conditions and living standards in each country*
- *Provide a framework for the conduct of trilateral trade relations and for the management of disputes*
- *Strengthen and enforce environmental laws and basic workers' rights*
- *Work together to promote "further trilateral, regional, and multilateral cooperation to expand and enhance the benefits of this Agreement."*

3.3.1.1. Trade

It existed since 1990 a clear trend of increasing trade throughout the world, but the increase was more pronounced in the trade made between the three countries involved in the agreement, this is clearly reflected in the table 2.

Table 2: U.S. merchandise trade with NAFTA partners, 1993-2013 (billions of U.S. $):



Source: Compiled by CRS using trade data from the U.S. International Trade Commission's Interactive Tariff and Trade Data Web, at http://dataweb.usitc.gov.

The table 2 summarizes US bilateral merchandise trade with its NAFTA partners over the period 1993-2013, about the time in which the agreement has been in force. Although you can see a significant difference between United States export and imports, both flows doubled during the first six years. Since the year 2000, the difference between imports and exports is increasingly noticeable although both activities have a growing trend. In 2013, although the increase was not always constant, both the United States export and imports value reached U.S. $ 500 billion.

Despite the data evidence, it would be unrealistic to attribute these changes solely to NAFTA, since these changes are due to the combination of many variables. However, experts of the Congressional Research Service agree that this agreement had a significantly positive impact on the evolution of the three economies.

In order to illustrate the effects of the agreement in more detail, we will analyze three sectors which together account for a third of the volume of trade between these areas: Autos, agriculture and energy.

3.3.1.1.1. Autos

Liberalization started, as it has been said, before the arrival of NAFTA, with CUSFTA, but this agreement rise traded while Mexico joined the Free Trade Area. The sector of autos represents twenty percent of the volume trade

Due to the increased attractiveness of investment that occurred in Mexico, caused by the reforms made and the NAFTA´s effects, the Mexican auto trade increase multiplied by five only during the first ten years of the agreement (1993-2003). The main reason of this change is the specialization. Manufacturers and assembly firms moved to wherever it is more efficient, in order to take advantages from economies of scale. According to the report NAFTA at 20: Overview and Trade Effects (Villarreal & Fergusson, 2014), the rise in vehicles and auto parts trade is unbelievable. The data can be seen on Table 3.

Table 3 U.S. Trade in Vehicles and Auto Parts: 1993:2013 (billions of U.S. $)

	1993			2013			% Change 1993-2011	
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports
Mexico								
Vehicles	0.2	3.7	3.9	4.8	40.1	44.9	2300%	984%
Parts	7.3	7.4	14.7	21.1	36.2	57.3	189%	389%
Total	7.5	11.1	18.6	25.9	76.3	102.2	245%	587%
Canada								
Vehicles	8.2	26.7	34.9	26.2	44.5	70.7	220%	67%
Parts	18.2	10.3	28.5	26.5	13.5	40.0	46%	31%
Total	26.4	37.0	63.4	52.7	58.0	110.7	100%	57%
World								
Vehicles	18.9	63.0	81.9	73.1	175.7	248.8	287%	179%
Parts	33.4	38.3	71.7	60.6	100.4	161.0	81%	162%
Total	52.3	101.3	153.6	133.7	276.1	409.8	156%	173%

Source: CRS using trade data from the (United States International Trade Commission, 2013) at http://dataweb.usitc.gov

3.3.1.1.2. Agriculture

Following the path marked with the CUSFTA agreement, the agriculture sector is the one that creates more problems when negotiating, and which is generally framed with exceptions. This is the reason why there is not a single text conciliator that encompasses the three countries regarding this sector, but there are bilateral agreements between each of them, United States-Mexico, United States-Canada and Mexico-Canada.

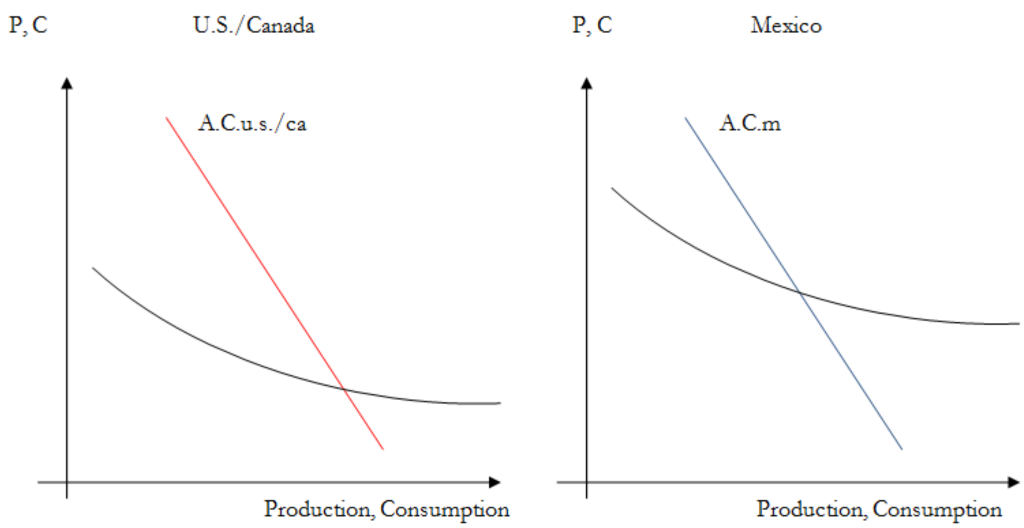
The liberalization of this sector is much larger in the United States agreement with Mexico that the United States agreement with Canada, since the latter creates large restrictions when trading, especially in products such as sugar and dairy products. Instead, the ratio of United States and Mexico is much more liberalized, although they negotiated a trade gradually restriction periods for given products, the ones that are more sensitive. These periods have temporary restrictions on specific products´ trade in order to help local producers.

There is an example in which the government of Mexico does not impose tariffs allowed by NAFTA, which is the case of corn. This country could not meet the demand only with the domestic production of corn. This fact makes the government not to apply tariffs on this product, allowing the entry of foreign corn at a cheaper price than the domestic price.

This would give the government the ability to control corn´s price inflation that was happening because the demand was immensely greater than supply, which caused that the price of corn increased significantly.

In order to understand the tariff effect in this sector, Figure 6 shows the initial situation when tariffs were applied of NAFTA´s countries.

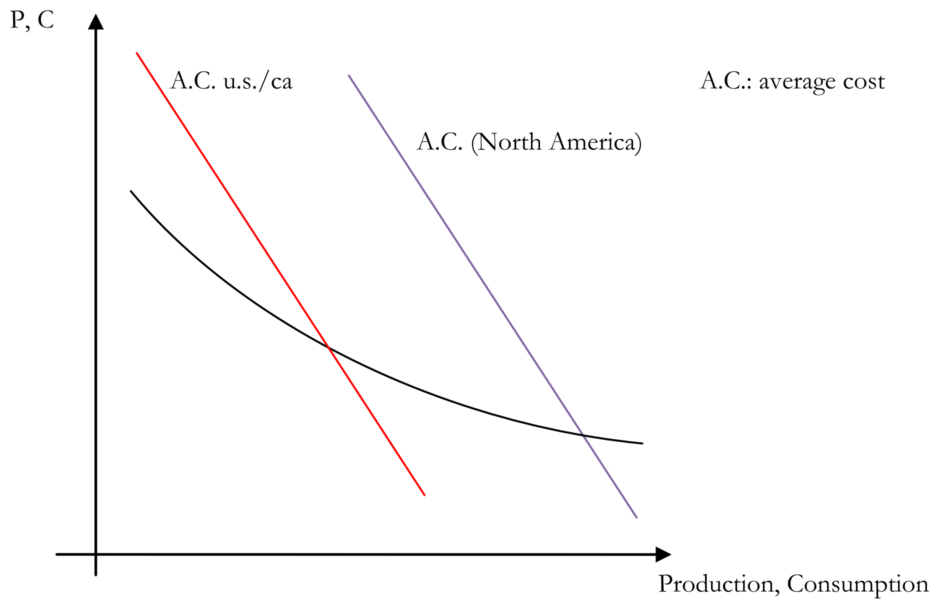
Figure 6 Initial situations when tariffs are applied



In the case of Canada or United States, the price of corn is affordable because the offer and demand of corn are equilibrated. The case of Mexico is different. Mexico has a few producers of corn that can impose high prices, due to the high costs, because they know that there is demand for it.

Then, at the market liberalization by removing tariffs, production of the U.S. and Canada, that have less cost and therefore lower prices, will cover Mexico´s demand. Thanks to this change, these countries will cover the demand for all North America at a lower price due to economies of scale. This result is reflected in Figure 7.

Figure 7: Trade of North America without tariffs



At the end the production of corn of United States and Canada will serve the market of Mexico.

3.3.1.1.3. Energy

The energy, from the beginning, was a key component in this agreement, as the volume of energy trade between the countries belonging to NAFTA is large. For the United States in particular was of great importance, as it imported from Canada and Mexico large amounts of energy, worth approximately $56 billions in 2003. The United States oil was mainly imported from Canada, followed by Saudi Arabia and Mexico in third place. Canada was also the source of much of the natural gas imported by the United States.

Although the relationship between United States and Canada was liberalized in the issue of energy, Mexico considered that it should continue to with their protectionism in the energy sector. This led to a situation, that in just ten years, Mexico became a importer country of these products.

Taking into consideration the overall context of North America, it is estimated that energy demand will grow 1.5 percent per year over the next ten years, due to the effects of NAFTA agreement.

3.3.1.2. Investment

Analyzing the changes made on investment, FDI trade between NAFTA partners increase considerably over the years. In the case of Canada, the most dramatic change is prior to the start of NAFTA and it is because Canada and United States already had a mature two-way investment market, promoted by an agreement previous to the NAFTA, the CUSFTA.

The case of Mexico is also noteworthy. Mexico apply new rights and obligations to private investors encompassed in NAFTA, creating an environment that invites investors to invest in the country, attracting FDI to Mexico partially coming from Canada or United States.

The evolution that was just named can be seen reflected in Table 4, which shows the evolution of the U.S. flows to the rest of the agreement member countries since 1985 (prior to the year of the creation of NAFTA) until 2012.

Table 4: FDI flows of United States by partners countries

U.S.		**1985**	**1994**	**2012**
Canada	**FDI outward**	76	6047	26 304
	FDI inward	774	4 584	16 460
Mexico	**FDI outward**	136	4 457	12 628
	FDI inward	222	1 058	2 801

Source: (Organization for economic co-operation and development, 2012)

3.3.2. Employment and wages

According to the report they made (Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners), the experts of the U.S. Chamber of Commerce coincide on positive results on employment due to NAFTA. Employment level increased in all three countries. (U.S. Chamber of Commerce, 2010). The evolution of employment that members suffer is represented in Table 5.

Table 5: Employment level in NAFTA partners, 1993-2013:

Employment	United States	Canada	Mexico (formal sector)
1993	120 million	12.8 million	33 million
2013	144 million	17.7 million	49.2 million

Source: (Organization for economic co-operation and development, 2014)

The problem is that the positive effects are not are not distributed equally, as it is shown in Graph 1. In order to understand what effects does NAFTA have on each country we will focus on employment and wages:

3.3.2.1. United States

Some economist argue that the agreement causes a loss of jobs, but deeper analysis ensures that this is not the case, what really happens is that there was a shift of jobs from less productive sectors into more productive sectors.

In addition, Lewis and Richardson (2001), two recognized experts in the subject found that due to the NAFTA effects, in the case of the export-oriented firms it was an increase in the amount of its wages by 13-16 per cent from the national average. They also notice that due to the lower wages that firms have to pay in Mexico in addition to the free cost of trading between the areas, many companies took the decision to move their factories to Mexico to have lower costs. This entails a shift in the work produced by these United States companies to Mexico, offering worse conditions to the workers.

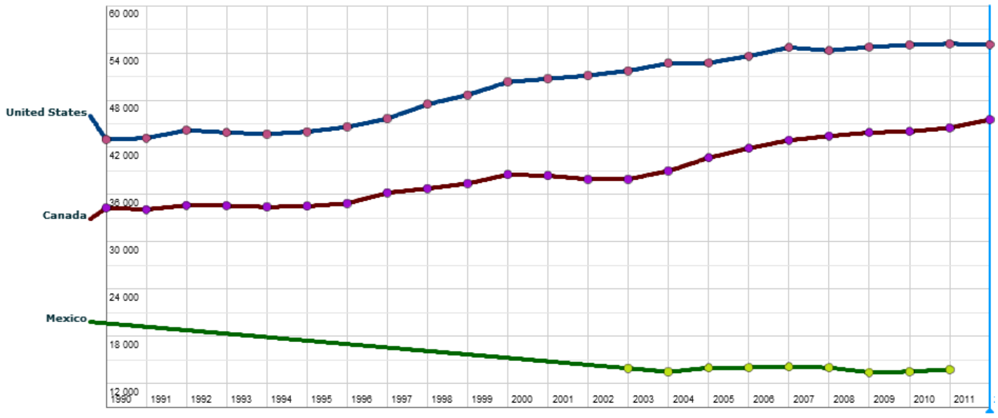
3.3.2.2. Canada

In Canada, experts are concerned to the productivity gap that in remaining quite similar in comparison to the ones of United States and Mexico. The productivity index is one of the indexes that determine the standard of living of the country, so we can conclude that there is an absence of productivity growth therefore an absence of growth in the standard of living of Canada between 2000 and 2003. The difference between United States and Canada is explained with the use of Information Technology. United States firms adopt Information Technology (IT) better than Canadians. Because of this reason, Canada is specialized in more capital-intensive sectors such as energy and mining with a lower influence of IT, while U.S is focused on finance, insurance and other that are IT-intensive industries.

3.3.2.3. Mexico

For Mexico, NAFTA represented a sharp increase of jobs traded-goods sectors, but wages from manufacturing sectors have decreased. Some experts conclude that the fall in wage implies a deterioration in working conditions produced because of NAFTA, but others attribute this change to the period of economic crisis that Mexico was going through, that is known as "peso crisis". Mexico is specialized in sectors with low qualification skills needed. The workforce in Mexico is abundant in unskilled workers and there are more workers than are needed. This is the reason why employers may lower the level of wages, as they will continue to have people working for them. Productivity growth has only occurred in export-oriented industries, such as autos.

Graph 1: 2012 USD PPPs and 2012 constant prices



3.3.3. Dispute settlement

As it is reflected in the NAFTA at 20: Overview and Trade Effects (Villarreal & Fergusson, 2014), NAFTA negotiators anticipate that when trade volumes increases so the disputes between the nations. In order to prevent this fact, they create some mechanism to avoid them. These dispute settlement process mainly resolved problems regarding antidumping and countervailing duty actions established by the United States in most cases.

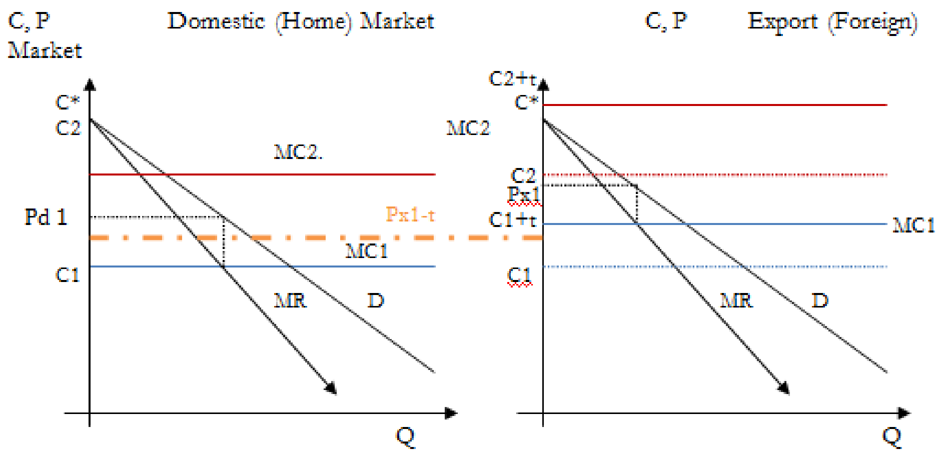
In order for these tribunals resolve problems is necessary that the obligations of each country in each topic is given in the text of NAFTA, such as anti-dumping and countervailing duty. If they are included, the mission of the Tribunals is to remember and make the clauses that have signed the three countries meet. In the event that they have not reached an agreement on the negotiation of NAFTA, so do not appear in the text, the mission of this panel becomes complicated. Generally, these problems are due to the domestic policies of individual countries which differ from what was agreed in the NAFTA and do not want to implement these new standards.

This method is an alternative to traditional courts, in which they effectively and directly resolve the discordances between exporter and domestic producers. As the NAFTA Secretariat said "*This mechanism has been effective in providing for the efficient and impartial review of trade remedy determinations made by the investigating authorities of all three NAFTA partners*". Until nowadays all of the partners agree on the positive effect of this mechanism. If countries are not in accordance with the resolution given by this tribunal, they can ask for reconsideration.

As an example, let's analyze the problem created by antidumping policies summarized in Figure 8.

A dumping policy is considered as protectionism. Dumping occurs when Firm 1 when exporting to foreign market instead of increasing the price due to the transport cost to Px1, the firm offer a lower price abroad (Px1-t) than the one offered in the domestic market (Pd1). It is considered by most countries as an "unfair" trade practice.

Figure 8: Antidumping policies



In order to avoid these practices carried out by foreign companies, United States government, in this case, creates a commerce department and international trading commission. These institutions are created with the purpose of offering the possibility for national companies to report cases of dumping and gain protection against these practices. They are called anti-dumping Duties.

According to (Krugman, Obstfeld, & Melitz, 2012) not everyone thinks this way, but rather there is an unresolved debate about whether to offer lower prices is an unfair practice or not. Those opposed to this way of thinking may argued that the productivity of the company enable it to offer lower prices.

For now, the debate continues and there is no single answer to this question. One can say that this would be a dumping practice, one in which a company has the aim of removing a competitor in the market. To do this, the company offers lower prices, assuming the costs that arise from it. In this situation, it can be concluded that it is a dumping practice and would be applicable in this case an antidumping policy.

As was said earlier, Clinton believed that NAFTA did not cover labor and the environment topics with the depth with which it was to try, therefore he proposed the following annexes and they were appended to the NAFTA text in 1993.The objective of these agreements was to increase cooperation when solving problems about labor and environment.

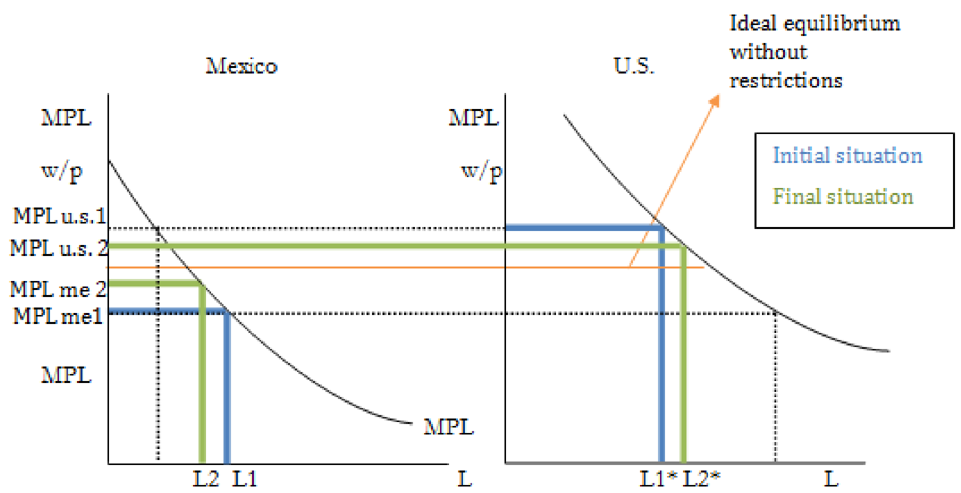
3.3.4.1. North American Agreement on Labor Cooperation (NAALC)

One of the main possible consequences criticized in United States of NAFTA was the possible migration of labor from United States to Mexico. Due to the Mexico´s lower wages, many companies moved to Mexico in order to reduce costs. They will create a commission that ensures the negotiation when a problem with labor conditions appears.

As was said before, the United States specializing in the areas that need skilled workers, while Mexico focus on those requiring unskilled. That is why the skilled workforce has incentives to migrate to United States because of the greater salary that are going to have.

As shown in the Figure 9, the two countries have different resources. Mexico has less capital than the United States, so the productivity is lower. In contrast, the number of workers is also different as Mexico has more United States workers (Lmx > Lu.s.). Finally we must also note that the salary is also different in the other country.

Figure 9: International mobility of labor from Mexico to U.S.



3.3.4.2. North American Agreement on Environment Cooperation (NAALC)

In the case of the environmental dispute, there is also a commission in which they solved their problems. They created a common fund to take forward projects to regenerate the environments that are below standards. The results of this organism are long term planed.

4- TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP)

4.1 - Introduction

According to the European Union Studies Association (EUSA, 2013), The Transatlantic Trade and Investment Partnership is an international agreement that is being negotiated since 2013. Integral parts of this negotiation are the European Union and the United States. It is also known as the Transatlantic Free Trade Area and its objective is to eliminate trade barriers between the two parties. This agreement aims to reduce tariff barriers to zero, while restricting the non-tariff barriers in goods and services by 25% and public procurement barriers by 50%. The most important sectors that are under negotiation are services, investment and public procurement. It is expected that if the negotiation comes to fruition and the deal goes ahead the results will be positive with substantial economic growth and is expected to create jobs in United States and European Union.

According to Cleeton (2013) and the report of the Centre for Economic Policy Research (Villarreal & Fergusson, 2014), the potential benefits of the TTIP are summarized in Table 6.

Table 6: Potential benefits for European Union and United States from TTIP:

	European Union	United States
Potential benefits (in billion a year)	€ 120	€ 95
% GDP	0.5	0.4

In other words, the gain that could bring this agreement in trade to the families of both countries is enormous. It is estimated that a family of four people in a country of the European Union have a disposal income of € 545, while the situation for a family of four people from the United States is going to be round € 655. In addition, it is expected that the Transatlantic Trade and Investment Partnership generate profits not only for the members' countries of the agreement, but also bring benefits to non-member countries. The estimated figure is around € 100 billion per year, because the liberalization that aims to reach agreement, that is its main objective, reduces transaction costs and generates added investment that, at the end, may be invested in non-member countries, so-called positive spillover effects. As a bonus, consumers will purchase more products from inside the agreement, but also from non-members countries. (Villarreal & Fergusson, 2014)

The agreement aims to take different measures for each sector, as these have different characteristics. For example, in the case of agriculture, which is a very sensitive sector, the proposal includes tariff reduction measures in addition to attempting to unify the non-tariff measures, like agricultural subsidies. But there are some sectors that present more serious problems when unifying the policies, such as services, intellectual property rights and public procurement policies. This added complication occurs because these sectors have a very complicated and varied regulation, and even in some cases contradictory.

The Foreign Direct Investment market also has a great importance in the relationship between the United States and the European Union. In the period after the crisis, the FDI moved from European Union to United States was greatly reduced, but still flow between the two sides is huge, meaning 50.4% of FDI flow flowing to European Union. As Cleeton says "*The level of investment reflects the depth of the global nexus of production, distribution, and supply-chain management centered in the EU-US trade and investment infrastructure.*" With the agreement, they seek to produce an increase in trade and FDI between partners.

But that does not mean that both set the same policies, but rather economies and political systems are very different. While the countries of the European Union establish policies aimed at economic growth, United States maintains a period of slow growth made by significant and sustained deficit spending and expansionary monetary policy.

4.2 - Previous negotiations

This agreement it is not the first time that the European Union and United States negotiate an agreement. One precedent is the agreement on growth and jobs, the United States-European Union High Level Working Group on Jobs and Growth (HLWG, 2013). As it is wrote on the text of the HLWG, the main points threatened in this agreement are:

> "•Reducing or eliminating tariffs with provisions for sensitive sectors
> • Regulatory issues and non-tariff barriers (e.g. sanitary and phytosanitary issues)
> • Services
> • Investment
> • Government procurement
> • Intellectual property rights
> • Rule-making for the 21st century, e.g., trade facilitation, competition policy
> • Labor and environmental issues"

4.3 - Objectives

In order to clearly understand the expected goals of this agreement, I am going to divide them into different areas that are to negotiate, according to the United States Objectives, United States Benefits in the Transatlantic Trade and Investment Partnership: A Detailed View (Office of United States Trade Representative, 2014). The main points threatened in this agreement are:

- Trade in goods: The main objective in this area is to eliminate all tariffs and other trade policies that make it hard to trade between the treaty partners. Focus on the agriculture sector, industrial sector and consumer products. They will allow transition periods to the products that are more sensitive in order to facilitate the process and ensure a positive result.

-Textiles and apparel: Seek an integration of markets in this sector especially, since the volume traded is huge. It will be beneficial for the United States because of currently protectionist policies which are impeding trade, and also, due to the negotiations, the European Union ensures that lower quality products are not imported to United States from third countries.

- Non-tariff barriers and regulatory issues:

> * Through this agreement the parties intended to eliminate or at least reduce non-tariff barriers to approach a free trade area. These barriers result in an increase in the cost of trading while becomes unattainable some opportunities for foreign companies. They reduce the efficiency of the system.
>
> * The parties seek to unify regulations and related standards processes with the aim of reducing costs. They aim to create regulatory cooperation initiatives and mechanisms for future progress in achieving this goal.

- Rules of origin: In relation to the case of textiles and apparel, the parties seek to determine the requirements to enjoy the status of Rules of Origin with the objective that the benefits provided by the negotiations of TTIP will affect only products made by the United States or the European Union, excluding third countries that are not part of this agreement.

- Trade in services: The United States aims to have more free access to the European Union service market and vice versa, reinforcing Impartiality transparency and due process with respect to the creation and development of the service sector, in other words, equality of opportunity in receiving permits or licenses. This point has a strong interest for the United States in particular because it is the largest exporter of services in the world and this sector is a major source of employment in United States

- Electronic commerce and information and communication technology (ICT) services: The Electronic Commerce is a growing sector. To boosting this growth, the agreement seeks to facilitate its use by creating tools to help deal with digital goods and services, creating facilities such as the remove of customs of digital products. They also aim to promote the exchange of cross-border data flows.

- Investment: The parties seek to unify the policies of protection of investors with the objective of ensuring the same rights for investors when investing abroad than the ones they enjoy when they invest in their own country. This is intended to unify the investment market. In order to meet these objectives they established the Investor to State Dispute Settlement.

- Government procurement: They are intended to facilitate the access of goods and services from the United States or European Union to the public procurement market of the other country or union of countries of the agreement, with the aim of providing more opportunities. They seek to ensure that government procurement makes no differences between products or services from the own country and products or services of another country member of this agreement.

- Labor: They aim to ensure that international standards for labor and the standards required in the various countries are met. To unify the labor laws and labor rights they will create some instruments of consultation and cooperation that will resolve the discrepancies produced from one law to another to ensure that all workers' rights are met. Besides meeting the internationally recognized labor rights and laws will be required by the agreement.

- Environment: Both parties of the agreement carry out environmental protection policies, but they consider that these measures are more effective when both parties unified policies and have the same goals. The United States and the European Union both seek for high levels of environmental protection and the effective enforcement of environmental laws in trade agreements.

- Intellectual property rights: They seek to unify the intellectual property rights in order to receive the protection that the creators of intellectual innovations have in each country, but expanding it to the entire territory covered by the agreement. Thanks to this change, they will promote innovation, because the creators have more incentive to invest time and effort in their works due to the change. Besides the United States and the European Union have the world's most successful creative industries and want to encourage its expansion and strength it.

- State-owned enterprises: They seek to bring transparency and reduce trade distortions that can arise from state-owned enterprises. They intended to protect no state-owned companies from favoritism or better conditions enjoyed by state-owned enterprises. Ultimately, the goal is to offer equal opportunities to both types of companies.

- Small-and medium-sized enterprises (SMEs): Both the European Union and United States seek to promote the Small-and medium-sized enterprises to international trade, as they have a great weight in the economies of both countries. In those cases where this type of company goes international growth is greater than those who stay in the national market exclusively. In those cases the conditions of their workers and the overall economy improves.

- Transparency, anticorruption and competition: They are seeking for transparency, anticorruption and competition with the aim of companies of all members of the agreement countries will be able to compete in the global market. This will be achieved if countries undertake to promptly publish all laws, regulations, administrative rulings and other procedures that affect trade and investment.

- Dispute settlement: They seek to unify disputes settlement procedures as it is very likely that they arise due to the differences that currently exist between the European Union and the United States. These procedures must be fair, transparent, timely, and effective. An example of this is the investor to state dispute settlement.

4.4 - Evaluation of the potential effects of TTIP

In order to enable an easier final comparison, this study will follow the same pattern that it used when it comes to analyzing the NAFTA, with some modifications as there are differences to be named.

4.3.1. Trade and investment

In accordance with the analyst David L. Cleeton (2013), the transatlantic trade partners union creates the strongest bilateral relationship in the world. The amount of services and products sold amounted to about $ 1 trillion. For the European Union, the United States is the largest trade partner and it represents 14.3% of all the European Union´s trade flows. It is also the most important European Union export partner (17.3%), but has the third-level of import partners (11.5%).

From the United States perspective, the European Union is the second main partner of United States imports (15.8%), right after China (18.1%), but if we consider imports and exports, the European Union has the first placed on the most important trade partners for United States list (16.1%).

These data are reflected in the tables added in Table 7 and 8 (Cleeton, 2013):

Table 7: EU Trade with Main Partners (2012)

The Major Imports Partners	The Major Exports Partners	The Major Trade Partners
China (16.2%)	U.S. (17.3%)	U.S. (14.3%)
Russia (11.9%)	China (8.5%)	China (12.5%)
U.S. (11.5%)	Switzerland (7.9%)	Russia (9.7%)

Table 8: U.S. Trade with Main Partners (2012)

The Major Imports Partners	The Major Exports Partners	The Major Trade Partners
China (18.1%)	Canada (18.1%)	EU27 (16.1%)
EU27 (15.8%)	EU27 (16.5%)	Canada (15.2%)
Canada (13.3%)	Mexico (13.4%)	China (13.6%)

Source: EUROSTAT and World Integrated Trade Solution.

Nevertheless, and not surprisingly, the most noticeable effects are going to occur in the countries that sign the agreement. According to studies, the exports from the member countries of the European Union to the United States amounted to a total amount of €291.880 billions, which as we have said before is a 17.3 % of total exports from the

European Union. This amount is expected to increase by € 187 billion once the agreement is implemented, resulting in an increase of 28 % of its total European Union- United States exports, and an increase of 6 % on the total amount of exports made by the European Union. In the case of exports made from the United States, the increase will be higher and may suppose an 8% growth on the total exports of United States and an increase of €159 billion of European Union- United States exports.

An exhaustive analysis leads us to realize that most of these benefits come from the reduction in tariffs that is intended to carry out and therefore liberalization. The benefits come from cost reduction within the parties of the agreement due to the liberalization and also will cut out bureaucracy when negotiating and therefore costs will also be reduced. As it happened with the NAFTA, one of the objectives of this agreement is to reduce tariffs to promote free trade in the services sector between the parties to the agreement.

According to the Centre for Economic Policy Research (Villarreal & Fergusson, 2014), the Transatlantic Trade and Investment Partnership will most affect sectors such as metal products, processed food, chemicals, etc. The expected growths in the most affected sectors are summarized in Table 9. The table that follows summarizes the sectors that will promote more with the TTIP once it is implemented and the corresponding traded volume increases that are expected for each:

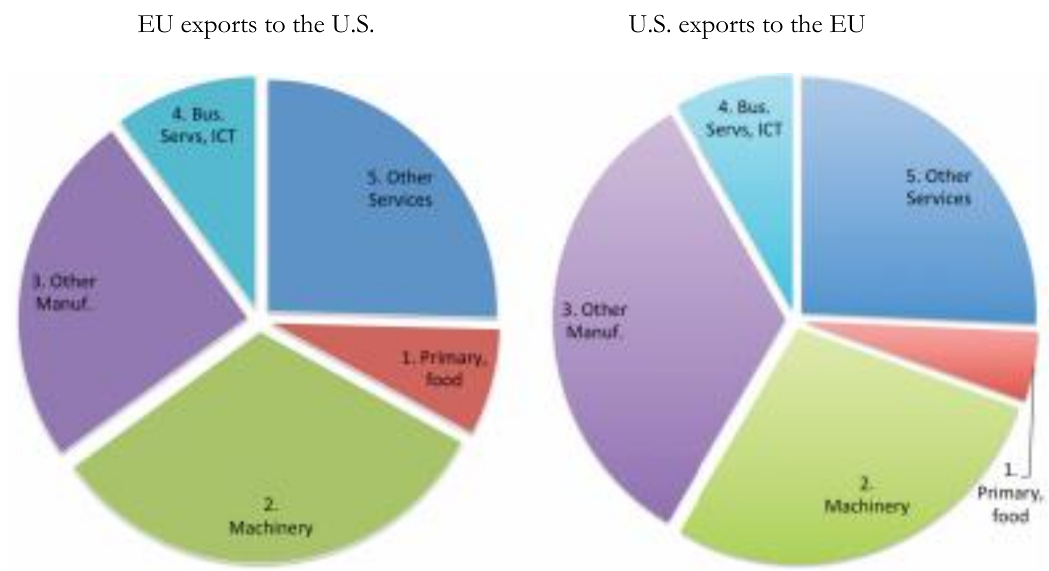
Table 9: The sectors that will be more benefitted from TTIP.

Most affected sectors:	**Expected growth on exports:**
Metal products	12%
Processed foods	9%
Chemicals	9%
Other manufactured goods	6%
Other transport equipment (Motor vehicles 40%)	6%

Unlike the effects of NAFTA, in the case of TTIP it is not expected a large increased in volume traded in the agriculture sector. The expected volume increase is 0.06%, accompanied by a decrease of trade in some agricultural subsectors. The same situation occurs in the sectors of forestry and fisheries.

Due to the liberalization, while exports grow, imports also grow since the benefits of the deal go in both directions. This has implications especially for the benefit of consumers who have more products when buying while the price of these products is reduced. This increased competition causes companies to become more efficient in order to remain on the market, the less efficient ones are not competitive, and increases the productivity of the entire market. For this reason, markets specialize in sectors that are more competitive. An example of the distribution of sectors between both countries is that United States mostly exports Machinery and "motor vehicles" products while the European Union is focused on producing electrical machinery and other transport equipment. The sectors in which each country is expected to be specializing by the 2027 are represented in Chart 1.

Chart 1: The bilateral composition of trade in projected benchmark (2027):



Source: model benchmark database.

Moreover, TTIP also affect FDI flows. For the European Union, United States is the largest destination for the Foreign Direct Investment carried out by the European Union, in both cases, export and import. In the case of outward FDI from the European Union in 2010, United States received €1,195 million, representing more than double what it received the second country on the list, Switzerland (563). While in the case of inward FDI, besides United States also have the top spot (€1.201 billion), it triples the amount received by the second place, which is Switzerland (€365 billion).

These data can be seen in the Charts 2 and 3.

Chart 2: Top 10 hosts of EU outward FDI stocks 2010 (in 1000 million euros)

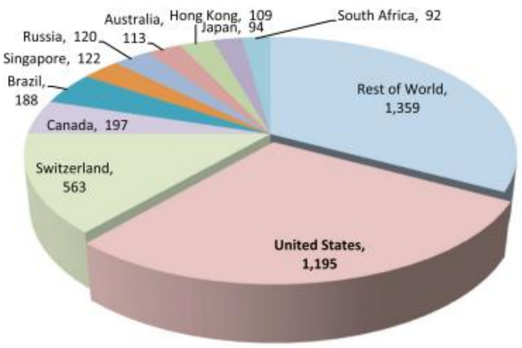
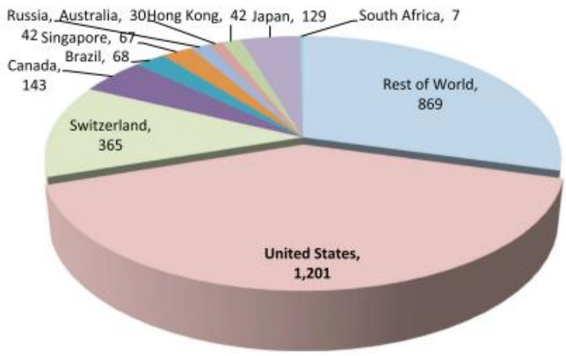


Chart 3: Top 10 hosts of EU inward FDI stocks 2010 (in 1000 million euros)



Source: Eurostat

4.3.2. Employment and wages

Up to the present, the studies conducted under the project TTIP agree that neither the United States nor the European Union labor markets are going to be injured but the opposite. Despite this conclusion, yet till now, one cannot say precisely how many jobs that will create the agreement but, according to the European Commission the increase will result on several million new jobs that will depend on exports. Besides, the European Commission experts say that it will increase wages for both skilled and less skilled workers, by less than 0.5% for both skilled and less skilled workers alike.

According to the Centre for Economic Policy Research report, (Centre for Economic Policy Research, London, 2013), changes in wages for less and more skilled labor depends on the extent or depth that reaches the agreement. Therefore, they conducted two experiments, one more ambitious than the other. The ambitious one assumes the elimination of 25 per cent of non trade barriers related costs and 100% of tariffs. On the other hand, the one that is less ambitious expects 10% reduction in trade costs from non trade barriers and nearly full tariff removal (98 per cent of tariffs). The results of this experiment are reflected in Table 10 and they are a forecasts raised for 2027.

Table 10: Results of the experiment of the CEPR, changes in wages for less and more skilled labor, total effects (in percent), 2027 benchmark:

	Less skilled	More skilled
Less ambitious experiment		
European Union	0.30	0.29
United States	0.22	0.21
Ambitious experiment		
European Union	0.51	0.50
United States	0.38	0.36

As it can be appreciated, in both parties, the changes in wages are positive, in either case less skilled and more skilled workers. It is also remarkable that in all cases, the effects will be greater in the European Union than in the United States.

Experts also predict that it will cause a movement of workers from one sector to another as a result of this agreement. This shift of workers from one sector to another is very small (0.7% over 10 years) compared with the movement that normally occurs 3.7% each year as an example in United States since 2008. This transition from one sector to another can be easily helped by governments offering lifelong learning and labor market flexibility other Programs.

Moreover, benefits also will be directed towards consumers.

4.3.3. Dispute Settlement

According to the report made by the European commission (2013), the reason for the future creation of the Investor to State Dispute Settlement (ISDS) is because of the great importance the European Union attaches to this department, whose objective is going to be to protect investors abroad.

This measure is taken because investors who acts outside the European Union area, although the country of destination of the investment have a strong legal system, if a problem occurs, will not have the support of the courts that are at their disposal within the European Union.

Such agreements on Investor-State Dispute are not so new to the United States, but they are part of previous agreements signed. The United States proposed a number of key investor privileges, which enunciate below (Trans Atlantic Consumer Dialogue, 2013):

-Compensation for "Indirect Expropriation": This measure protects investors who have been expropriated indirectly. Assumes the obligation to pay a compensation from the Treasuries to investors that have seen their investment damaged.

-Guaranteed minimum standard of treatment: this right is very difficult to measure as it is a very generic statement, "fair and equitable treatment". The courts have to decide whether in each case is it applicable or not compensation. It is usually applied to any policy that runs the government that damage to foreign investments and it gives to foreign investors the right to seek compensation. The clause is so broad that investors feel safe and expand their investments.

-Free Transfers: This provision prevents governments to impose barriers to the free movement of capital through the area, such as limiting the input or output of this capital within or outside the borders of each nation. With this requirement, a common area is created without obstacles to the movement of capital.

-**National Treatment:** governments are required to act fairly with domestic and foreign investors without differentiating between them throughout the entire process, avoiding having preference for domestic investments and giving them greater opportunities to gain as in the case when they give more facilities to domestic investors to buy or acquired foreign country resources such as land, natural resources...

-Most Favored Nation (MFN): This clause ensures that the members agree that investors receive equal or better treatment than other countries that have signed another agreement with the country or have not signed any agreement. This implies that if the country wants to offer a subsidy to a country, it should offer it to all countries where the agreements signed by them containing the Most Favored Nation clause.

-**Ban on Performance Requirements:** The measures that are usually taken when it comes to limit foreign investment or set up conditions on products in order to enter the domestic market are prohibited by this clause. Some of these conditions established as an example a minimum on production within the country, and others require the involvement of domestic employees in producing those products. Due to this clause such proceedings are forbidden.

4.3.4. Labor and environment

According to the Trade and sustainable development review made by the European Commission (European Commission, 2013), both parties are very aroused to the environment. On the one hand, the European Union follows the guidelines set by the Lisbon Treaty, which among other things, sets a great interest in politics of environmental protection. This treaty establishes standards of action for both, relations between countries of the European Union and relations of a member and another nation who does not belong to the European Union.

On the other hand, United States created the "environmental protection agency of the United States," whose mission is to protect the health of humans and the environment. This agency (EPA United States, 2014) has seven priorities:

-Take action on climate change: performs several initiatives that fight against climate change.

-The best quality air: Air pollution in America is a very serious matter. This organization, in collaboration with the President and Congress proposes rules to change this situation.

- Ensuring the safety of chemical substances intended to control chemical substances that invade our products, environment and bodies. They are interested in updating the “Act Toxic Substances Control”.

- Cleanliness of our communities: EPA developed some programs for keeping cities clean while encouraging environmental cleanup and job creation in disadvantaged communities.

- Protect United States waters: In recent years, United States waters are in danger more than ever. That is why EPA conducts programs both local and global to protect United States water.

- Expanding the conversation on environmentalism and working for environmental justice: this organization aim to create social awareness, so they conduct programs to the public in order to fulfill that objective.

-Develop strong partnerships with states and tribes: EPA aims to help those most concerned with the environment and who take care more, because they have fewer resources and the work to be done increases.

Given the concern of both parties on the environment and labor, in 2011 the leaders of both parties met with the aim of establishing the EU-US High Level Working Group on Jobs and Growth. This group led by United States Trade Representative Ron Kirk and European Union Trade Commissioner Karel De Guchtaims to pursue policies which lead to a mutually beneficial job creation, economic growth, and International Competitiveness.

After two years evaluating several options, this committee reached the conclusion that in order to move forward with these goals, the agreement must be brought to the practice and they recommends leaders of both areas to conduct negotiations of the TTIP focus on sustainable growth and labor politics.

Alternatively, (Francois, 2013) the project leader of the Reducing Transatlantic Barriers to Trade and Investment report, focused on the environmental effects that the implementation of the agreement would entail, focusing especially on CO2 emissions and their impact. As assured in the report, the Free Trade Agreement will lead to an increase of CO2 emissions by 2027 in European Union 3 and 4 in United States thousand metric tons. (Centre for Economic Policy Research, London, 2013).

5- COMPARISION

To sum up, it is going to be discussed in this study the agreements from the point of view of the United States, as it is the only country that is in common in both agreements.

On the one hand, United States was interested in going ahead with the agreement with Canada and Mexico, the North American Free Trade Area, because of the proximity of the members of the agreement. Before there was such an agreement, the trade between these countries was already remarkably large. This is because, for geographically close countries, transaction costs are lower. This is the case of the costs of transport and communications.

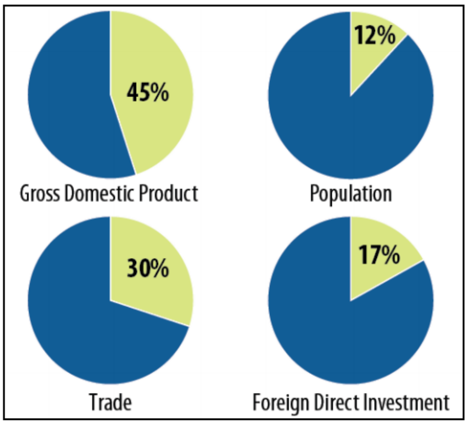
On the other hand, the United States and the European Union have no reason of closeness, but what it is interesting about this agreement and the reason why they negotiate is because of the power of their economies. Both parties to the agreement are two of the most important powerhouses of the world. The United States is the major trade partner of the European Union and the European Union is the major trade partner of the United States. For this reason, an agreement can bring many benefits for both parties, reducing costs and increasing trade volumes. In addition, this agreement will not only affect the member countries, but will have global implications. To what extent the agreement will affect multilateral relations that the United States and the European Union have made before and at the same time that the Transatlantic Trade and Investment Partnership is negotiate. Other countries will suffer negative effects arising from this collaboration, but at the same time, positive effects are going to benefit them.

But United States is not the only member of the NAFTA that is negotiating with the European Union looking for an agreement. Canada and Mexico are dealing too with European Union, both had already signed an agreement with the UE, which are called Canada-European Union Comprehensive Economic Trade Agreement (signed in 2013) and European Union-Mexico FTA (entry into force in 2000). In spite of this, the United States has more power when negotiating, and it is setting aside their North America neighbors, in order to get the best deal for its own trade with Europe. This approach can lead to negative consequences for the NAFTA, since the United States is no longer supporting it as strongly as before. Of the three, the United States is apparently least concerned about maintaining integration with NAFTA. Experts still cannot accurately foresee the impact that TTIP will have on them, because negotiations have not yet come to an end.

One thing is for sure, the TTIP benefits are expected to exceed the gains from prior United States FTAs due to the characteristics of its members, the European Union and the United States. In 2012, according to the report made by Shayerah Ilias Akhtar and Vivian C. Jones, members of the (Congressional Research Service, 2014), the United States and European Union produced nearly 45% of the world's gross domestic product (GDP) and collectively accounted for about 12% of the total global population. These data is reflected in the Chart 4 and determine the success of the agreement.

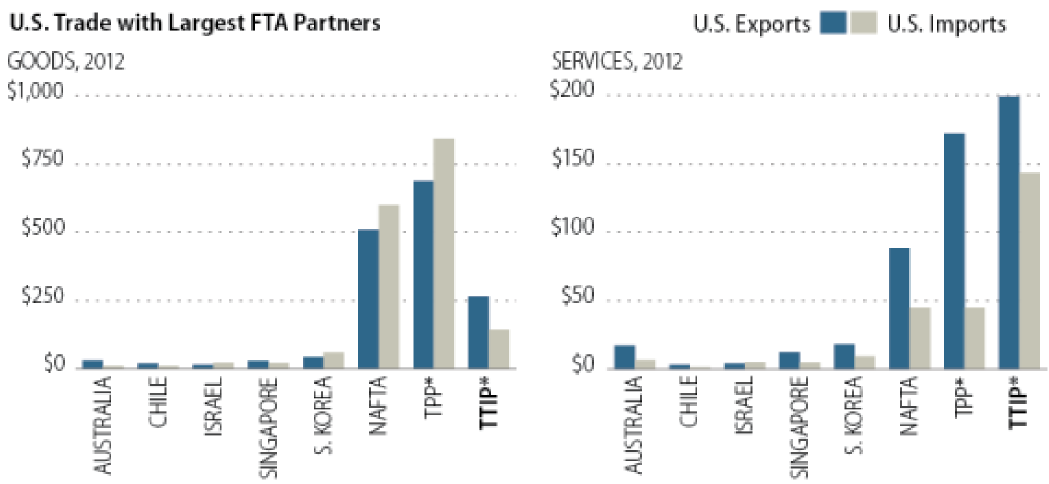
Chart 4: Combined U.S.-EU Share of Global Economy

Note: Yellow shares reflect U.S.-EU share of global economy; blue shares reflect rest of the world. Source: U.S. Bureau of Economic Analysis; European Commission; Eurostat; International Monetary Fund; and United Nations Committee on Trade and Development.



Compared with NAFTA, the TTIP is not as important trade partner when talking about the trade of goods as are members of NAFTA. But on the other hand, the major contribution made by the TTIP is in the trade of service, which puts the European Union as first trade partner on service, as it is shown in the Chart 5.

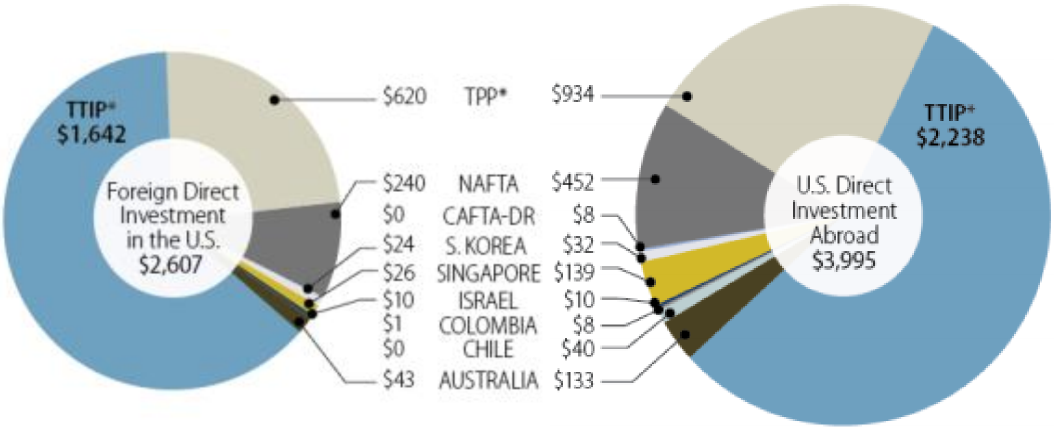
Chart 5. United States Trade and Investment with Free Trade Agreement (FTA) Partners



Source: CRS analysis of data from UNITED STATES International Trade Commission and United States Bureau of Economic Analysis.

Furthermore, the TTIP also encompasses the main partners on Stock of Foreign Direct Investment. The US- European Union direct investment is a larger volume of dollars. In 2012 this volume amount $ 1,642 which is which is more than half of all Foreign Direct Investment in the United States ($ 2607).The United States direct investment in the European Union it is also a large volume, $2238, out of a total of $3995. (Congressional Research Service, 2014)

Chart 6: Stock of Foreign Direct Investment with Largest United States fta Partners, 2012 (on a historical cost basis):



Source: CRS analysis of data from United States International Trade Commission and United States Bureau of Economic Analysis.

For all the information we have provided, although not all will be positive effects, it can be concluded that the TTIP produce positive effects that counteract the negative ones by far. So my recommendation would be to take into account groups that are expected to go wrong unemployed and continue on with the negotiations. This agreement will bring benefits to both the European Union and the United States.

6- CONCLUSION

In conclusion, this study attempts to highlight the most important aspects that have been analyzed and the conclusions to which it has reached.

On the one hand, in the case of the North America Free Trade Agreement ex post analysis conclude that the effects of this agreement are, in a global perspective, positive. But also must be remembered that there are sectors that have resulted adversely affected. One example of these minorities is the producers of corn in Mexico, for which the removal of tariffs has hurt their businesses, as the prices have dropped considerably. Despite these minorities lose out, the welfare of nations increases and the objectives of creating and diversifying trade have been met.

On the other hand, in the case of the Transatlantic Trade and Investment Partnership, the goals are similar and focus not only on the markets for goods but also in services and capital markets. The TTIP aims to increase trade between the European Union and the United States, but also seeks to unify regulations, in order to improve the relationship and prevent problems. This agreement will not only affect the member countries. The TTIP aims to lay foundations for future important multilateral agreements, writing the rules of global commerce for the next century.

The reasons why I have selected these agreements instead of others are because, despite of their differences in time, members that comprise them and the purposes for which they are negotiate, both agreements have many similarities. The United States is the common member of the two agreements, which facilitates the comparison.

Although the United States has negotiated many multilateral agreements, I consider that the two that I had selected are the most important that this nation has signed since, on the one hand, the NAFTA take advantage from the proximity of their member countries to improve trade, while the TTIP brings together two world powers.

The first one, the NAFTA, members focus on the markets for goods only, which places them in the second position in United States goods trade partners. Instead, the TTIP intended to be broader and encompass more markets. It is expected to be placed in the third position in the ranking of United States goods trade partners and in the first position on the United States service and investment trade partners.

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ANNEXES

Annex 1: Competence Table

	MEMORY	VIDEO	POSTER
GENERIC COMPETENCES			
CB2: Students can apply their knowledge to their work or vocation in a professional manner and have competences typically demonstrated through devising and sustaining arguments and solving problems within their field of study.	X	X	X
CB3: Students should have the ability to gather and interpret relevant data (usually within their field of study) to inform judgments that include reflection on relevant social, scientific or ethical.	X	X	X
CB4: Students can communicate information, ideas, problems and solutions to both specialist and non-specialist audiences.	X	X	X
CG01: Capacity for analysis and synthesis	X (Comparison and conclusion)	X	X
CG02: Capacity for organization and planning	X	X	X
CG04: Oral and written communication in a foreign language	X	X	X
CG06: Ability to analyze and search for information from various sources	X (Bibliography)		
CG14: Critical and self-critical abilities	X	X	X
CG15: Ethical commitment at work	X (Statement of Academic Integrity)		
CG16: Ability to work in pressure environments	X	X	
CG17: Ability to learn independently	X		
CG19: Creativity	X	X	X
SPECIFIC COMPETENCES			
CE02: Identify sources of relevant economic information and content	X (Bibliography)		